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Message Text

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ACTION FBOE-00

INFO OCT-01 EUR-12 ISO-00 SY-05 /018 W
----------032017Z 058781 /47
R 031224Z JAN 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 8714

UNCLAS SECTION 1 OF 2 BRUSSELS 0003

E.O. 11652:N/A
TAGS: ABLD,AFSP,ASEC,ABUD
SUBJECT: MARINE GUARD QUARTERS

REF: BRUSSELS 02440,STATE 138453

1.AS DEPARTMENT AWARE FOR MORE THAN A YEAR WE HAVE ACTIVELY SOUGHT A SOLUTION TO OUR MARINE HOUSE PROBLEMS.TIMING IS NOW CRITICAL. CURRENT MARINE HOUSE LEASE EXPIRES NOVEMBER 30, 1977.THERE ARE NO FIRMS OPTIONS TO RENEW AND OWNERS APPARENTLY UNWILLING TO PERMIT OUR CONTINUED OCCUPANCY AFTER THAT DATE.CURRENTLY HAVE 19 MSGS IN QUARTERS; NCOIC IN SEPARATE APARTMENT.

2.CURRENT ANNUAL RENT IS DOLS 19,953,BUT WILL INCREASE TO DOLS 21,650 IN CALENDAR YEAR 1977 BECAUSE OF INDEX CLAUSE.RESTORATION COSTS ESTIMATED ET DOLS 75,000 TO DOLS 100,000 BUT COULD BE HIGHER SINCE MAJOR RECONSTRUCTION WILL BE REQUIRED TO RETURN BUUILDING TO ORIGINAL SEVERAL SMALL APARTMENTS.

3.SIX OPTIONS FOR ADEQUATE QUARTERS CURRENTLY AVAILABLE,AND ARE PRESENTED IN ORDER PREFERRED BY POST.

4.OPTION ONE - NEW BUILDING,CONSTRUCTED TO OUR SPECIFICATIONS, ON STREET BORDERING NATO COMPLEX.SIZE OF BUILDING INCLUDING STORAGE AND HEATING ROOMS WOULD BE ABOUT 5333 SQUARE FEET.POST CAN LEASE FOR NINE YEARS,WITH OPTIONS FOR TWO RENEWALS OF NINE YEARS EACH. FIRM PRICE NOT YET AVAILABLE BECAUSE COMMUNE HAS NOT DECIDED AT
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WHAT PRICE TO RENT LAND.HOWEVER,ANNUAL RENT EXPECTED TO BE ABOUT BF 2,600,000 (DOLS 70,270) FOR THE FIRST NINE YEARS,INDEXED. ENTREPRENEURS REQUIRE AMORTIZATION OF BULK OF CAPITAL DURING FIRST NINE YEAR TERM AS WE ARE UNABLE,UNDER STGL REQUIREMENTS, TO GUARANTEE LONGER AMORTIZATION PERIOD.A BUILDING-TAILOR-MADE TO SPECIALIZED MSG REQUIREMENTS HAS LITTLE VALUE FOR OTHER COMMER-CIAL/RESIDENTIAL PURPOSES.FOR SECOND AND THIRD RENEWALS PRICE

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OF RENT WOULD FALL TO THEN-CURRENT INTEREST RATE ON REMAINING NON-AMORTIZED PORTION OF BUILDING,CONTINUED PRINCIPAL AMORTIZATION PLUS GROUND RENT TO COMMUNE,WHICH OWNS THE LAND.
BEST "GUESSTIMATE"OF RENEWAL RENT IS POSSIBLY DOLS 30,000 ANNU-ALLY.
PENALTY PAYMENT FOR NON-RENEWAL AT END OF NINTH YEAR ABOUT DOLS 40,000.
ADVANTAGES THIS OPTION: BUILDING CONSTRUCTED EXACTLY AS WE DESIRE; NEW BUILDING WITH LOW MAINTENANCE COSTS; ADEQUATE RECREATION SPACE ON PROPERTY ITSELF; NO CLOSE RESIDENTIAL NEIGHBORS; GOOD BUS SERVICE TO TOWN AND EMBASSY; NATO STAFF RECREATION FACILITIES NEAR.DISTANCE TO EMBASSY/USEC; APPROXIMATELY 6.2 KILOMETERS BY ROAD; RUNNING TIME
40 MINUTES.DETAILS REGARDING BUILDING PROPOSED WILL BE FORWARDED UPON REQUEST.

5. SECOND OPTION - RENT OF HOTEL DERBY IN DOWNTOWN BRUSSELS. HOTEL HAS TWENTY-EIGHT BEDROOMS,EACH WITH ITS OWN SINK,W.C.AND SHOWER OR TUB; IT HAS ONE LARGE PUBLIC ROOM WITH CENTRAL BAR WHICH OPENS THROUGH GLASS DOORS AND GLASSED TERRACE DIRECTLY ONTO SIDEWALK.HOTEL,
BUILT IN 1910,IS WOOD AND PLASTER BUILDING WITH STONE FACING; ELECTRICITY AND PLUMBING RE-WORKED IN 1975,AND FIRE ALARM SYSTEM AND FIRE DOORS INSTALLED EACH FLOOR AT THAT TIME.SIZE: APPROXI-MATELY 19,000 GROSS SQUARE FEET INCLUDING CORRIDORS,ELEVATORS, STAIRWAYS, ETC.ASKING PRICE IS BF 25,000,000 (DOLS 675,675). ENTRE-PRENEUR WOULD AGREE TO PURCHASE PROPERTY AND RENT IT BACK TO US FOR 10 PERCENT OF INVESTMENT EACH YEAR,OR DOLS 67,567 INDEXED.BIGGEST ADVANTAGE OF HOTEL IS ITS
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LOCATION JUST 3 SUBWAY STOPS AWAY FOR EMBASSY/USEC.ADJACENT BUILDINGS CONTAIN OFFICES OR STORES.POST THEREFORE BELIEVES NOISE FACTOR WOULD NOT BE A PROBLEM.DISADVANTAGES ARE TOTAL LACK OF RECREATION SPACE DIRECTLY OUTSIDE OF BUILDING AND LACK OF PARKING. ANTICIPATE MAINTENANCE COMMENSURATE WITH AGE OF BUILDING.DISTANCE TO NATO: 4 KILOMETERS BY ROAD,ABOUT 30 MINUTES RUNNING TIME. NEARBY PUBLIC PARK (ABOUT 350 METERS AWAY)HAS LIMITED RECREATION POSSIBILITIES (RUNNING,TENNIS).WE MIGHT BE ABLE TO HOLD THIS OPTION BY ARRANGING NOW FOR A DEFINITE LEASE TO BEGIN DECEMBER 1, 1977,WITH SALE TO LESSOR NOT TAKING PLACE UNTIL THAT DATE. CONVERSION COST FROM HOTEL TO MARINE HOUSE WOULD COST APPROXIMATELY DOLS 20,000 AND CONSIST PRIMARILY OF CLOSING IN TERRACE,ARRANGING SMALL TV ROOM ON ONE OF FLOORS UPSTAIRS, REMOVING HOTEL AIGNS.

6.THIRD OPTION - FORMER SWEDISH SCHOOL.THIS IS A LARGE OLD HOUSE LOCATED IN A "GREEN BELT " WHERE NEW CONSTRUCTION IS NOT ALLOWED.THE LAND FOR FIRST THREE YEARS OF LEASE WOULD CONSIST OF ABOUT ONE HECTARE (2.5 ACRES); AFTER THAT THE BACK PORTION (ABOUT 1 ACRE)

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WOULD BE TAKEN TO BUILD 3 OR 4 LARGE HOUSES WITH GARDENS.AD-
VANTAGES TO THIS LOCATION ARE LOW RENT,AMPLE SURROUNDING SPACE
MAKING NEIGHBOR PROBLEMS MINIMAL AND PROVIDING FINE RECREATION
POTENTIAL,LACK OF ANY RESTORATION COSTS AFTER OUR OCCUPANCY.
MAJOR DISADVANTAGES ARE DISTANCE TO NATO AND TO
EMBASSY/USEC (ABOUT 9 KILOMETERS AND AT LEAST 1 HOUR RUNNING TIME TO
EACH LOCATION); TAXIS TO THIS LOCATION WOULD BE EXTREMELY EX-
PENSIVE FOR MSGS WITHOUT CARS; NEED TO INVEST
HEAVILY IN CHANGES TO THE HOUSE AT THE BEGINNING OF THE LEASE
IN ORDER TO PROVIDE SUFFICIENT BEDROOMS AND BATHROOMS; NEED
FOR HIGH MAINTENANCE COTS IN MONEY,TIME AND LABOR THROUGHOUT LEASE TO
KEEP
OLD HOUSE IN GOOD WORKING ORDER (MUCH OF LABOR WOULD NEED TO BE
CONTRACTED OUT BECAUSE JAS MAINTENANCE ALREADY HAS INSUFFICIENT
PERSONNEL TO TEND TO ALL EMBASSY PROPERTIES IN TOWN),AND DIFFI-
CULTY OF PUBLIC TRANSPORT.MSG WOULD DEFINITELY NEED OWN TRANSPORT
VEHICLE,PROBABLY A VAN,TO COMMUTE TO AND FROM
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GUARD POSTS.WHILE ACTUAL RENT WOULD BE LOWEST OF ALL OPTIONS -
DOLS 13,000 IF EMBASSY MADE ALL EXTERNAL REPAIRS,DOLS 16,220
OF LANDLORD MADE NECESSARY ROOF AND EXTERNAL REPAIRS BUT DID NOT
REPAINT
INSIDE,AND DOLS 19,460
IF LANDLORD PAINTED INSIDE AS WELL,ALL INDEXED,OTHER
COSTS INVOLVED DO NOT MAKE THIS ALTERNATIVE INEXPENSIVE.EMBASSY
WOULD NEED TO RENT THIS SPACE EARLY IN 1977 SO AS NOT TO LOSE
IT TO ANOTHER RENTER,AND COULD THEN BEGIN REQUIRED REPAIR WORK TO
PREPARE IT FOR SUMMER 1977 OCCUPANCY.AT LEAST TWO MONTHS OF
LEASE WOULD BE REQUIRED TO PUT HOUSE IN CONDITION FOR OCCUPATION.
EMBASSY EXPECTS TO PAY DOLS 80,000 TO DOLS 100,000 TO PREPARE
HOUSE FOR OCCUPANCY.
AS STATED,HIGH ANNUAL MAINTENANCE COSTS FORESEEN THROUGHOUT LEASE.

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ACTION FBOE-00

INFO OCT-01 EUR-12 ISO-00 SY-05 /018 W
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R 031224Z JAN 77

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7. FOURTH OPTION IS A NEW BUILDING BUILT TO OUR DEMANDS IN WOLUWE ST.LAMBERT.THE ADVANTAGES ARE GOOD LOCATION VIS-A-VIS NATO (3.7 KILOMETERS BY ROAD),ACCEPTABLE BUT LESS GOOD LOCATION VIS-A-VIS EMBASSY/USEC (5.8 KILOMETERS BY ROAD); RENEWABLE LEASE FOR AS LONG AS EMBASSY DESIRED (BUT AT NO REDUCTION IN RENT); SOME RECREATION FACILITIES BEHIND BUILDING (SIZE SUFFICIENT FOR 1/2 A BASKETBALL COURT).
RENT IS DOLS 61,757,INDEXED.MAJOR DISADVANTAGES ARE CLOSENESS OF NEIGHBORS IN AREA EXCLUSIVELY RESIDENTAL IN CHARACTER,BUS STOP 500 METERS DISTANT.POST BELIEVES FAMILITES IN THE AREA WOULD CONSTITUTE EVENTUAL PROBLEM.

8.FIFTH OPTION IS FORMER RESIDENCE OF U.S.AMBASSADOR TO BELGIUM, LOCATED ON AVENUE THE TERVUREN OPPOSITE WOLUWE PARK.RESIDENCE IS ARISTOCRATIC OLD BUILDING.HOUSE AND CARRIAGE HOUSE COULD BE REMODELED
TO CONTAIN ALL MSGS,BUT COMPLETE RESTORATION WOULD BE REQUIRED AT END OF LEASE.MOREOVER,HOUSE COULD NOT BE HELD WITHOUT RENT UNTIL NOVEMBER 1, 1977.EXPECT HOUSE COULD BE HELD UNTIL APRIL 1, 1977; LEASE AND REMODELING COULD BEGIN THEN; POST COULD PLAN TO MOVE MSG IN SUMMER 1977,AT WHICH TIME RECONSTRUCTION OF PRESENT MSG QUARTERS COULD BEGIN.

9.SIXTH OPTION IS NEW SIX-FLOOR OFFICE BUILDING NEAR EMBASSY (25 BLVD DE REGENT)TO BE COMPLETED BY APRIL.TOP TWO TO THREE FLOORS MIGHT BE ABLES TO BE OCCUPIED BY MSG IF,AND ONLY IF, EMBASSY LEASED ENTIRE BUILDING.
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THIS SPACE LEASES FOR DOLS 86.50 SQUARE METER PER YEAR,PLUS COMMON CHARGES FOR HEAT,WATER,ELECTRICITY,ETC.(APPROXIMATING DOLS 40/ SUARE METER).SINCE EMBASSY CRAMPED IN PRESENT QUARTERS,THIS A POSSIBILITY WHICH CAN BE EXPLORED.APARTMENT HOUSE
ON ONE SIDE OF NEW OFFICE
STRUCTURE,AND BELGIAN MINISTRY ON OTHER SIDE; BUT MINISTRY BUILDING SCHEDULED TO BE EMPTIED,GUTTED AND REBUILT BEGINNING IN 1977
OR 1978.

10.ENTREPRENEUR RESPONSIBLE FOR FOURTH OPTION IS ATTEMPTING TO COMPLETE PACKAGE DEAL FOR LARGE PLOT OF LAND NEAR MILITARY-SUPPORTED NATO SUPPORT ACTIVITY BUILDING.
PROPOSAL WOULD BE FOR BOTH MARINE
HOUSE AND LARGE NUMBER OF APARTMENTS DESIGNED FOR LEASING ON 9-YEAR BASIS TO EMBASSY FOR HOUSING PROGRAM.CONCEPT IN INFANCY.
ADVISE IF WE SHOULD PURSUE.

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11.AFTER A YEAR OF DILIGENT EFFORTS,WE ARE CONVINCED THESE OPTIONS REPRESENT VIRTUALLY ALL SUITABLE POSSIBILITIES NOW ON MARKET. AS CONSTRUCTION EFFORT (WHICH WE FAVOR)WILL REQUIRE AN ESTIMATED NINE MONTHS,A CONTRACT FOR BUILDING WOULD NEED TO BE SIGNED NO LATER THAN JANUARY 30 TO ENABLE THE CONSTRUCTION AND MOVE IN FALL 1977.

12.ACTION REQUESTED: AUTHORIZE POST TO ENTER INTO LEASE-CONSTRUCTION CONTRACTS FOR FIRST OPTION SOONEST OR DETAIL A FBO REPRESENTATIVE TO BRUSSELS TO ANALYZE REQUIREMENTS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
Disposition Reason:
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Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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Office: ACTION FBOE
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 BRUSSELS 2440, 77 STATE 138453
Retention: 0
Review Action: RELEASED, APPROVED
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Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3674979
Secure: OPEN
Status: NATIVE
Subject: MARINE GUARD QUARTERS
TAGS: ABLD, AFSP, ASEC, ABUD
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/6ee5e4dd-c288-dd11-92da-001cc4696bcc
Review Markings:
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Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009